Indiana
Department of Local Government Finance
Committed to a fair and equitable property tax system for Hoosier taxpayers.

Investment Deduction & Enterprise Investment Deduction

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Agenda

- Investment Deduction
  - Intent
  - Limitations
  - Rule
- Enterprise Investment Deduction
  - Intent
  - Deduction Amount
  - Filing & Appeals
- Questions & Answers

Investment Deduction

- Intent - Level the playing field for companies seeking abatements

- Traditional abatement limited to larger businesses (1% of all businesses in 2002, avg. abatement = 4.9M).

- Focus on growing company, not completing paperwork

- Simple & Flexible - 4-page law compared to 40+ for current law

Investment Deduction

- Provides a three-year deduction for the development, redevelopment, or rehabilitation of real property if that development, redevelopment, or rehabilitation creates or retains employment.

- Provides a deduction for purchase of personal property that was never before used by its owner for any purpose in Indiana and creates or retains employment.

Investment Deduction

- The amount of the deduction = the lesser of:
  - Two million dollars (per county); or
  - Increase in AV resulting from the investment multiplied by 75% (1st year), 50% (2nd year), 25% (3rd year). *Amount of increase is determined IAW IC 6-1.1-12.1.*

- Applies only to investments made between March 2, 2005 and March 1, 2009.

- Amount of deduction must be adjusted when property AV changes due to reassessment, annual adjustment or the outcome of an appeal.

Investment Deduction

- Cannot be claimed if the property is located in an allocation area (TIF, CTP, Military base re-use, airport development zones, etc.)
- Massage parlors, liquor stores, golf courses, certain residential, other retail, etc. do not qualify per IC 6-1.1-12.1-3(e)
- Cannot claim more than one deduction on all property within a county. (i.e. limited to $2M in RP and $2M in PP for each county)
- Cannot be used in conjunction with any other statutory deduction on the investment property per IC 6-1.1-12.4-5

Investment Deduction

- Deduction subject to local official review –
  – Review for the creation or retention of employment from investment
  – **May not** review amount of the deduction claimed.
  – If official determines investment did not create or retain employment, notice must be given and hearing held
  – If terminated, removal applies to next installment
- If ownership of the property changes, deduction will still apply to subsequent owner

Investment Deduction

- 50 IAC 22 defines “creates or retains employment” broadly to include situations where the investment allows company to continue operations within Indiana even if it loses a few jobs

- Clarifies $2M limit is per county, not per parcel or per personal property return

- Clarifies filing process

Enterprise Zone Investment Deduction

- Establishes a deduction for certain qualified investments made within an enterprise zone.
- Appears to capture 100% of the increase in assessed value resulting from the qualified investment
- Reduces the net assessed value which ultimately reduces property tax liability
- Available for 2006 pay 2007 and can be claimed for not more than 10 years.

Enterprise Zone Investment Deduction

- "Qualified Investment" is defined as one of the following expenditures relating to property within an existing enterprise zone on which a zone business is located:
  - Purchase of a new building.
  - Purchase of new manufacturing or production equipment.
  - Costs associated with repair, rehabilitation, or modernization of existing improvements.
  - Onsite infrastructure costs.
  - Construction of a new building.
  - Costs associated with re-tooling existing machinery.

Enterprise Zone Investment Deduction

The amount of the deduction is equal to:

Total assessed value of all of the taxpayer's (real and personal) property at the enterprise zone

MINUS

"Base assessed value"
(total AV of all of taxpayer's property at the enterprise zone location in the preceding calendar year)

EQUALS

The amount of the deduction

Enterprise Zone Investment Deduction

- To claim the deduction, the taxpayer must file a certified application with the county auditor on or before May10 of each year.

- If an application is denied, the taxpayer may appeal by filing a complaint with a circuit or superior court with 45 days of the notice from the auditor

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Questions?